

Lesson 18: Paving the Future

TOPIC: Estate Planning

OVERVIEW:

Part of planning a financial future means thinking ahead and putting strategies into place now for future actions. To help students understand the benefits of long-term planning, an interactive and thought-provoking “what if” game is played to engage students in seeing the power of **estate planning**. Using the game to tie together each facet of the lesson, students walk through the long-term planning process by exploring **wills, trusts**, and insurance strategies for different phases of one’s life. Students recognize long-term financial strategies and why they are important to building a financially sound future.

OBJECTIVES:

1. Identify elements of an estate plan
2. Evaluate how to title property
3. Explain the importance of a will
4. Understand the consequences of not having an estate plan

INDIVIDUAL HANDOUTS:

- Estate Planning in Action
- Prepare Your Plan*

TEACHER PRESENTATION SLIDES:

- Money Marooned
- Estate Planning (4)

ESSENTIAL QUESTIONS:

- What is estate planning?
- Why do I need to plan for a distant future?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Slide:** Money Marooned

Post-Assessment:

- **Handout:** Estate Planning in Action
- **Handout:** Prepare Your Plan
- **Wrap Up:** Planning Reflection

Time: 50 min

Subject Connections:

- English Language Arts

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

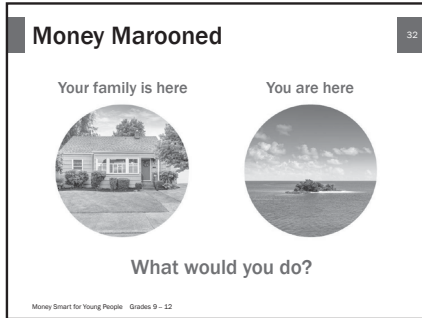
Glossary with key vocabulary 11

***Money Smart Portfolio Handouts**

Instruction Steps

WARM UP Money Marooned

10 MINUTES



Open the lesson by having students imagine that they have just been stranded on an island alone. Tell students that they have a family to care for and that they are an integral part of the financial upkeep of their family. Display the **Money Marooned** slide and tell students that, while they are stuck on the island, their families are at home.

Ask students:

- *If this happened, what would you do?*
- *What would your family do?*
- *If you were unable to get off the island and make it home, would your family be OK?*
- *Would they have enough money to buy groceries and pay rent or a mortgage?*

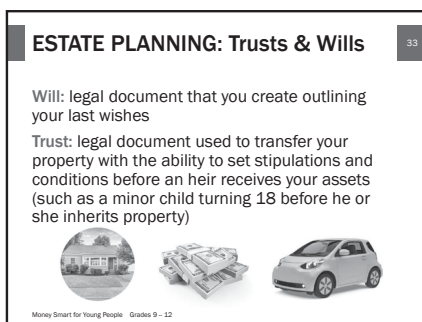
Invite students to share their thoughts and then ask, *what would happen to all of your possessions if you didn't make it off the island?*

Ask students if they know what an estate plan is, and use student responses to guide the discussion. Explain that, if you have an estate plan in place, it outlines what should happen with your possessions and money in the event of death. In the same way that we make a plan for our everyday use of money with a budget, we make a long-term plan for what will happen to our money and other assets like property, jewelry, or vehicles after we die.

Connect back to the **Money Marooned** slide and help students understand that having an estate plan ensures that your family is fully protected in the event that you are unable to leave the island.

GUIDED EXPLORATION Estate Planning

20 MINUTES



Next, display the **Estate Planning** slides and review each of the estate planning elements below.

MONEY SMART TIP!

Expand the estate planning discussion by introducing the concept of estate tax. Explain that estate tax is how you are taxed in the transfer of property at the time of death. Have students visit the Internal Revenue Service's website to read more about how estate tax works:

www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Estate-and-Gift-Taxes.

- **Will:** legal document that you create outlining your last wishes that names **beneficiaries**, or the people you want to inherit your possessions.

Wills include naming a guardian for minor children, how property should be distributed, instructions for paying off debts, and other final wishes. You also name an **executor** in your will, or the person who will handle your finances when you pass away.

- **Trust:** legal document used to transfer your property with the ability to set stipulations and conditions before an heir receives your assets (such as a minor child turning 18 before he or she inherits property).

- **Power of Attorney:** when you grant permission to someone to handle your affairs if you are unable to yourself while you are still alive.

For instance, if you are in a coma or seriously ill and unable to make health or financial decisions, your power of attorney can act on your behalf to make decisions. Unlike an executor of a will, who can manage your assets after your death, a power of attorney's power ends at your death.

- **Titles:**

- **Tenancy in Common:** shared ownership of a property in which more than two people hold the title. Unlike joint tenancy, tenancy in common does not have to be equal shares. For example: one sibling might inherit two-fourths of a property, while two other siblings each inherit one-fourth.

- **Joint Tenancy:** shared ownership of a property with equal shares. If one owner dies, the other owner(s) have Right of Survivorship, meaning the share of the deceased property is transferred to the remaining owner(s).

- **Tenancy in Entirety:** Shared ownership of a property between a husband and wife. A surviving spouse has Right of Survivorship and becomes the sole owner.

- **Life Insurance:** provides financial security to your family in the event of death by paying money to a beneficiary or beneficiaries.

Grade-Level Modifications:

Beginner: Narrow the scope of the lesson to focus exclusively on wills and help students understand that it is important for everyone to have a will, no matter your age, because it explains exactly what your final wishes are.

Advanced: Broaden the scope of the lesson by dividing students into small groups and assigning each group a specific estate-planning topic to research (for example: wills, trusts, power of attorney, types of title arrangements, life insurance). Have students present their research to the class.

ESTATE PLANNING: Power of Attorney 34

Power of Attorney: when you grant permission to someone to handle your affairs if you are unable to do so yourself

Money Smart for Young People Grades 9 - 12

ESTATE PLANNING: Example of Titles 35

Tenancy in Common


- Shared ownership of a property
- Ex. five people each holding title to one property (does not have to be equal shares)

Joint Tenancy

- Shared ownership of a property with equal shares
- If one owner dies, the other owner(s) have Right of Survivorship, meaning the share of the property is transferred to them

Tenancy in Entirety


- Shared ownership of a property between a husband and wife
- A surviving spouse has Right of Survivorship and becomes the sole owner



Money Smart for Young People Grades 9 - 12

ESTATE PLANNING: Life Insurance 36

Life Insurance: provides financial security to your family in the event of death by paying money to a beneficiary



Money Smart for Young People Grades 9 - 12

MONEY SMART TIP!

Connect back to Lesson 11, *Risky Business*, and review with students how insurance helps protect you from financial burdens in the event of an unforeseen circumstance.

INDEPENDENT EXPLORATION

Prepare Your Plan

15 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Next, distribute the *Estate Planning in Action* handout and review the sample scenario. Have students answer the follow-up questions working in small groups or engage students in a whole-class discussion to gauge their level of understanding regarding the important points about estate planning.

Ask students the following:

- *Why does Kendall feel compelled to create a will even though she is only 25?*
- *What problems will a will solve if something should happen to Kendall?*
- *Why do you think it is important to think through beneficiaries, an executor of a will, and a power of attorney?*

Distribute the *Prepare Your Plan* handout next and allow students time to complete it. Invite volunteers to share their plans with the class, and reiterate the importance of planning ahead so that we can clearly communicate our final wishes.

MONEY SMART TIP!

Discuss with students how to handle social media accounts in the event of death. Who has control of your online identity if you pass away? How would you like your online identity to be handled? Have students consider creating a social media will that outlines their preferred actions. For more information, have students read *Why You Need a Social Media Will* (www.huffpost.com/entry/social-media-will_b_1683487). Encourage students to consider what they would include in a social media will.

WRAP UP

Planning Reflection

5 MINUTES

Close the lesson by asking students to discuss or write their answers to the following questions:

- *How do you create an estate plan?*
- *What elements should be included?*
- *When do you think you will begin putting planning strategies together for your financial future?*
- *When do you think you will create a will?*

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

Why do you think people create estate plans? Why do people choose estate planning as a way to protect their assets?

“Let our advance worrying become advance thinking and planning,” Winston Churchill. What does Churchill mean in this quote? How does his advice relate to estate planning?

Suggested Readings:

Creating a Will by USA.gov: Read about how to write a will. www.usa.gov/family-legal#item-212733

Trusts by USA.gov: Investigate the importance and purpose of trusts. www.usa.gov/family-legal#item-211666

Prepare Your Estate Plan by eXtension: Learn about how to prepare an estate plan.

<https://personal-finance.extension.org/prepare-your-estate-plan/>

MATHEMATICS

Activity/Project Ideas:

Review the intricacies of estate tax and have students calculate deductions on different taxable estate scenarios, such as charitable donations or funeral expenses.

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Have students explore the economic factors associated with estate planning. For example: how does economic growth or decline affect what is left to distribute at the time of death? Students may also explore taxation policies and how estate and gift tax affect an inheritance.

Activity/Project Ideas:

Have students research the outcomes of famous estate cases that made the news, such as celebrities like Michael Jackson or Paul Walker, and discuss the pros and cons of how the estates were managed. Students may research current events and celebrities or review existing case studies such as those found in *Celebrity Estate Planning Mistakes*. www.aarp.org/money/taxes/info-2016/celebrity-estate-mistakes-photo.html#slide1

TECHNOLOGY

Online Resources:

Estate Tax Planning: An online calculator that calculates estate tax. www.360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning-Basics/Estate-Tax-Planning

Life Insurance Calculator: An online calculator that calculates how much life insurance you may need based on assets, expenses, and income. www.360financialliteracy.org/Calculators/Life-Insurance-Calculator

Answer Key

Student Handout 1:

Estate Planning in Action

1. Why does Kendall feel compelled to create a will even though she is only 25?

Kendall wants to ensure her daughter will be cared for after she is gone. She also wants to put a plan in place to ensure her belongings go to the people she wants them to.

2. What problems will a will solve if something should happen to Kendall?

By creating a plan, Kendall eliminates any ambiguity about what might happen to her property and to the welfare of her daughter.

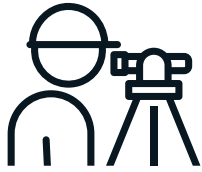
3. Why do you think it is important to think through beneficiaries, an executor of a will, and a power of attorney?

Answers will vary. For example: by not creating a plan, distribution of property may not be handled in the way that you wished it would. A power of attorney and an executor of a will can help carry out your final wishes.

Student Handout 2:

Prepare Your Plan.

Answers will vary. Use handout to assess student ability to articulate an initial estate plan.



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ESTATE PLANNING IN ACTION

Name: _____

Kendall is 25 years old and a single mother of one-year-old daughter Skylar. Kendall is young and she knows that death seems like a far-off distant future, but she also realizes that unexpected accidents can happen. While she doesn't want to dwell on death, she does want to make a plan for the "what ifs" of life. She wants to make sure Skylar is well cared for if something should happen to her. Kendall is meeting with a lawyer next week to draw up a will. Before her meeting, Kendall decides to write down her ideas for what should be included in her will. Read her notes below and then answer the questions.

What assets do I have?

I own a vehicle, I have about \$10,000 in a savings account and \$5,400 in a 401k. I also inherited a necklace from my grandmother that I think is worth a few thousand dollars.

Who should be my executor?

My mom. She is good with tough situations and I think she would know how to handle my requests.

Who would be the guardian of Skylar?

I would want my sister and her husband to take care of Skylar if something happened to me. They already have a child and are great parents! I think they would be the best people to care for Skylar and give her a happy home if I am unable to.

Who are my beneficiaries?

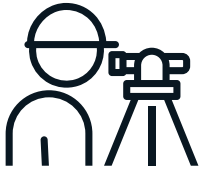
Skylar should definitely inherit my money, 401k, and grandma's necklace. But I think my sister should have my vehicle. She may need it in order to care for Skylar, or she could sell it and use the money to help support Skylar.

Who would be my power of attorney?

My dad would probably be best to be my power of attorney. He always has my best interests at heart and if I became too ill to care for Skylar, he would know what to do.

DISCUSSION QUESTIONS

Why does Kendall feel compelled to create a will even though she is only 25?



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PREPARE YOUR PLAN

Name: _____

Making a plan for your future involves thinking through what you own and how you would like those items to be distributed. Answer each question below to help get you started in preparing a long-term plan.

What assets do I have? *List all of your valuable items that you wish to distribute.*

Who should be my executor? *This is the person in charge of executing your plan.*

If you have children, or plan to have children someday, whom would you designate as their guardians? *This is the person(s) who would take care of your children.*

Who are my beneficiaries? *These are the individuals you want to receive your assets.*

Who would be my power of attorney? *This is the person who would make decisions for you if you became unable to yourself.*